

MINING FLASHNOTE

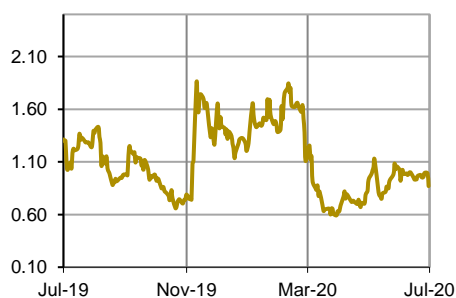
KEFI Minerals (KEFI LN)

01 July 2020

Stock Data

Share Price:	0.98p
Market Cap (M):	£18.48
EV (M):	£20.72

Price Chart



52 Week Range

2.22p	0.98p
0.51p	

Company Summary

KEFI Minerals was until recently an explorer and is now an explorer, developer and hands-on operator of mining joint ventures for influential and financially strong local partners in the Arabian Nubian Shield.

MAIN SHAREHOLDERS	HOLDING
Hargrave Lansdown Asset	15.2%
Pershing Nominees Limited	12.4%
Interactive Investor Trading	9.5%
Vidacos Nominees Limited	6.5%
HsdI Nominees Limited	6.0%

Source: KEFI Minerals & Bloomberg

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KEFI: Announces Tulu Kapi Project Funding Update

Event

KEFI has announced an update on the progress with securing development financing for the Company's Tulu Kapi Gold Project (the "Project" or "Tulu Kapi") in Ethiopia and the Company's Project subsidiary, Tulu Kapi Gold Mines Share Company ("TKGM").

Comment

As was previously reported on the 19 June 2020, all capital expenditure, operating and financing requirements have recently been updated and incorporated into the final 2020 Tulu Kapi Plan, which shows total Project funding requirements of US\$221M, a reduction from the US\$242M reported in the 2018 Annual Report. It is planned that funding sources will be approximately half as senior debt (US\$110M) and half as project level equity, which for these purposes includes any subordinated debt and offtake facilities (US\$111M).

Now that the 2020 Tulu Kapi Plan is completed, TKGM will proceed to finalise, with its shareholders and senior secured lenders, the specifics of the remaining funding sources.

It remains that the Project level equity, through TKGM, is expected to be funded by a consortium consisting of KEFI, the Ethiopian Government, Ethiopian private sector investors (hopefully including, but no longer limited to, ANS Mining Share Company ("ANS Mining")) and one or more specialist mining financiers that provide financing facilities under subordinated debt. Such facilities may comprise the long-planned working capital and stockpile facilities and associated forward sale, offtake, streaming, royalty or similar arrangements ("Specialist Mining Financiers").

But with ANS missing the June 30, 2020 deadline, TKGM has served notice that it may replace ANS Mining either in part or in full with other Ethiopian and non-Ethiopian investors, including the potential for an expanded role for the Specialist Mining Financiers. With the required Project equity needing to be secured well in advance of the closure of the full financing package in October 2020. BHC believes that it is probable that other avenues of funding will be used. If these sources include streaming or royalties, it is highly likely to be more expensive, but on the positive side, KEFI should be able to maintain a higher portion of the equity.

To this effect, KEFI stated that "as a new development, based on discussions and proposals received to date from Specialist Mining Financiers and Ethiopian investors, TKGM is now also seeking to potentially reduce the number of shares it issues to any third party by increasing the amount of funds raised by TKGM from the Specialist Mining Financiers in other acceptable forms, and by doing so increasing existing shareholders' ultimate beneficial interest in TKGM. If successful, this would have the effect of increasing KEFI's beneficial interest in TKGM above the planned base case level of 45%".

Research Disclosures

Peter Rose

Peter has 34 years' experience in equities as a resources analyst; he has been at Brandon Hill Capital for 13 years, after having spent 11 years with Deutsche Bank in Australia. Prior to this he spent 2 years with Prudential Bache and 6 years with James Capel. Peter's industry experience includes 16 years as a metallurgist, 3 years with De Beers in South Africa and 9 years in the uranium industry, six of which were spent at the Ranger Uranium mine. Peter holds a BSc degree in Applied Mineral Science from Leeds University UK and a Bachelor of Commerce from the University of South Africa. Peter is also a member of the Institute of Materials, Mining & Metallurgy and a chartered engineer.

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Sell	Recommendation implies that expected total return expected over 12 months between current and analysts' target price is negative.

Research Disclaimers

Research disclosure as of 01 July 2020

Company Name	Disclosure
KEFI Minerals (KEFI LN)	1, 2, 5,7, 8, 9

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